

## Profitability below expectations

SRV's Q4 profitability fell below our expectations, with the operating profit at EUR 0.1m (Evli EUR 7.8m). Revenue was EUR 299.8m (Evli 299.6m). Profitability was burdened by additional costs from the REDI shopping centre and impairment charges in International Operations. SRV expects revenue to grow in 2019 compared to 2018 (EUR 959.7m) and the operative operating profit to improve compared to 2018 (EUR -10.0m) and be positive.

- Revenue in Q4 was EUR 299.8m (EUR 338.7m in Q4/17), in line with our estimates (Evli EUR 299.6m). Growth in Q4 amounted to -11.5 % y/y.
- Operating profit in Q4 was EUR 0.1m (EUR 11.2m in Q4/17), below our estimates (Evli EUR 7.8m), at a margin of 0 %. The operative operating profit amounted to EUR 1.5m and was affected by rising costs, additional REDI costs of EUR 11.1m, an impairment of EUR 4m in International Operations, and a EUR 14m capital gain for the sale of SRV Kalusto.
- The order backlog strengthened to EUR 1,832m (2017: EUR 1,574.9m)
- **Guidance:** SRV expects the full-year consolidated revenue for 2019 to grow compared to 2018 (EUR 959.7m). The operative operating profit is expected to improve compared to 2018 (EUR -10.0m) and to be positive. A total of 809 developer-contracted housing are estimated to be completed in 2019 (526 in 2018).
- **Dividend proposal:** SRV proposes that no dividend be paid for FY2018.

Rating 🟡 HOLD

Q4/18	Actual	Evli	Consensus	Year ago	Q3/18
Net sales	299.8	299.6	300.0	338.7	208.5
EBIT	0.1	7.8	8.0	11.2	-5.6
EPS	-0.08	0.04	0.04	0.17	-0.16
DPS 2018	0	0.00	0	0.06	-
Deviation	Actual	Evli	Consensus	Year ago	Q3/18
Net sales		0%	0%	-11%	44%
EBIT		-99%	-99%	-99%	-
EPS		-	-	-	-49%
DPS 2018		-	-	-	-

*\*Consensus by FactSet*

Share price, EUR (Last trading day's closing price)	1.87
Target price, EUR	2.4
Latest change in recommendation	18-Sep-18
Latest report on company	26-Oct-18
Research paid by issuer:	YES
No. of shares outstanding, '000's	59,581
No. of shares fully diluted, '000's	59,581
Market cap, EURm	111
Free float, %	33.2
Exchange rate	1.000
Reuters code	SRV1V.HE
Bloomberg code	SRV1V FH
Average daily volume, EURm	0.149
Next interim report	
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🟢 BUY 🟡 HOLD 🔴 SELL

### PRE-REPORT KEY FIGURES

	Sales EURm	EBIT EURm	EBIT %	Ptx profit EURm	EPS EUR	P/E (x)	EV/Sales (x)	P/CF (x)	EV/EBIT (x)	DPS EUR
2016	884	28	3.1%	16	0.15	35.1	0.7	10.4	22.2	0.10
2017	1,114	15	1.4%	5	0.03	108.6	0.5	-6.2	36.1	0.06
2018E	960	-12	-1.3%	-27	-0.47	-4.0	0.5	4.2	-36.6	0.00
2019E	1,078	40	3.7%	26	0.29	6.5	0.4	2.5	10.3	0.08
2020E	1,084	45	4.2%	32	0.37	5.0	0.4	2.9	8.7	0.10
Market cap, EURm		111	BV per share 2018E, EUR		3.5	CAGR EPS 2017-20, %		123.5		
Net debt 2018E, EURm		331	Price/book 2018E		0.5	CAGR sales 2017-20, %		-0.9		
Enterprise value, EURm		443	Dividend yield 2018E, %		0.0	ROE 2018E, %		-12.5		
Total assets 2018E, EURm		852	Tax rate 2018E, %		11.0	ROCE 2018E, %		-1.9		
Goodwill 2018E, EURm		2	Equity ratio 2018E, %		26.7	PEG, P/E 18/CAGR		0.0		

All the important disclosures can be found on the last pages of this report.

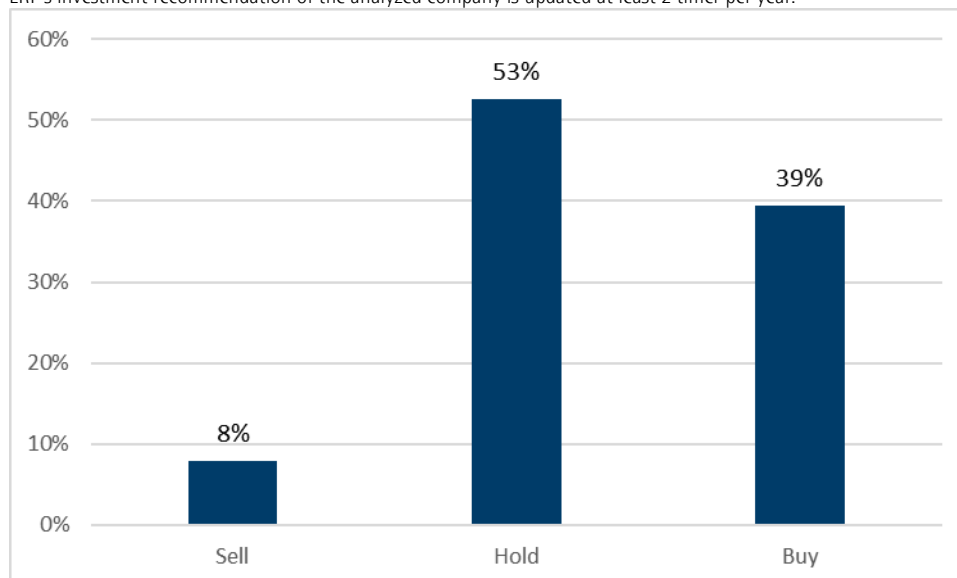
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Investment recommendations are defined as follows:

Target price compared to share price	Recommendation
< -10 %	SELL
-10 - (+10) %	HOLD
> 10 %	BUY

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Name(s) of the analyst(s): Salokivi

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